



Via Email to regcomments@ncua.gov

March 5, 2010

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on the Proposed Revision of Part 704

Dear Ms. Rupp:

Magnolia Federal Credit Union (MagFedCU) appreciates the opportunity to express an opinion with regard to the NCUA's proposed rule for corporate credit unions. We are a long term member of the Southeast Corporate FCU (Southeast) and have, to my knowledge, always been pleased with the professional advice and quality service provided by this corporate. We believe that the advantage provided by our corporate relationship has been instrumental in our own success. Nobody was happy about the turn of events which caused credit unions nationwide to make financial write downs in the wake of the mortgage security melt down. Nevertheless, we plan to continue to support our corporate relationship.

Recently we attended one of Southeast's town hall meetings in order to learn the state of the corporate; hear what they think about all that has transpired; as well as their plans for the future. I came away pleased with their future direction and impressed with their leadership. I have read their comment letter with regard to the proposed changes to Part 704 and agree with their recommendations. We especially agree with their opinion on Part 704.3: Capital. We believe that in the end, if actual losses do not reach the level of the projected losses which are causing the write downs, then these gains should be allowed to restore the depleted capital which negatively impacted real person credit unions like MagFedCU.

We agree with Southeast's assertion that the proposed regulation will have certain negative impacts on member credit unions, to include:

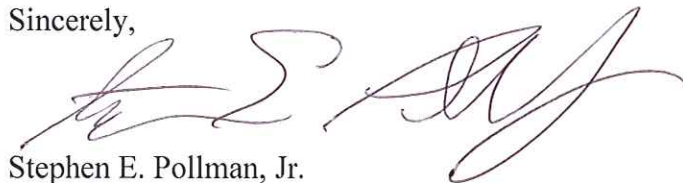
- Fewer competitive investing options
- Lower yields on corporate deposits
- Limited liquidity options both long & short term
- Fewer competitive service solutions from credit union owned providers
- Short 6 year term limit for corporate board members will limit experience and effectiveness
- Potential service interruptions as CUSOs go through the process of getting re-approved by the NCUA

We also agree that some changes to the proposed regulation, if made, could benefit credit unions like MagFedCU and we hope you will consider:

- Revisiting & revising A/L risk management constraints to allow corporate to earn more
- Legally isolate new member-contributed capital from potential future impairment losses on legacy assets, like OTTI
- Allow corporate to maintain a retained earnings deficit
- And/or allow depleted capital to be restored if projected losses ultimately overstate actual losses
- Extend the time limits for meeting capital and leverage ratio requirements
- Retain the current rule for certificate redemptions requiring corporate to assess a market-based penalty sufficient to cover the estimated replacement cost of the certificate redeemed
- Include the same list of permissible CUSOs in both Part 704 and 712 and allow a longer phase in period
- Allow a 12 year term limit for Board Members

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stephen E. Pollman, Jr.", written over a horizontal line.

Stephen E. Pollman, Jr.
President / CEO

cc: Chairman, Mary E. Barrett, Magnolia FCU